

# WIRRAL COUNCIL

## CABINET

29 JUNE 2015

<b>SUBJECT:</b>	<b>NATIONAL NON DOMESTIC RATES EXTENSION OF TRANSITIONAL RELIEF POLICY FOR SMALL AND MEDIUM PROPERTIES AND ADOPTION OF A LIVING WAGE DISCOUNT POLICY</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>HEAD OF BUSINESS PROCESSES</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

### 1.0 EXECUTIVE SUMMARY

- 1.1 This report seeks formal approval to extend the National Non Domestic Rates Transitional Relief Scheme that was due to expire on 31 March 2015 until 31 March 2017. This is in line with the Chancellor's autumn statement of 3 December 2014 the contents of which also require the Authority to amend it's own policy on Retail Rate Relief whereby the maximum award is increased from £1,000 to £1,500 from 1 April 2015. The report also seeks approval to introduce the Authority's own Living Wage local discount for businesses that sign up to and gain licensed accreditation for paying the Living Wage, which is part of the Authority's adopted Budget proposal for 2015-16.

### 2.0 BACKGROUND AND KEY ISSUES

#### Transitional Rates Relief

- 2.1 The original scheme was introduced in 2010 to help ratepayers who were faced with higher bills following on from the five year revaluation of Business Rates; and limited the amount of the increase to be paid. The scheme expires at 31 March 2015, the original end date for the existing valuation list.
- 2.2 The government decided in 2012 to extend the life of the list by two years to end 31 March 2017. Properties will then be subject to a new valuation list and new rateable values from 1<sup>st</sup> April 2017.
- 2.3 The Government announced in the autumn statement on 3<sup>rd</sup> December 2014 that it will extend to 31<sup>st</sup> March 2017 the current transitional relief scheme for properties with a rateable value of up to £50,000, without this extension businesses would from April 2015 have to pay the full increase from the 2010 list.

- 2.4 The transitional relief has to be granted under the Council's Discretionary Rates Relief powers (section 47 of the Local Government Finance Act 1988) and all relief granted will be fully reimbursed by Government.
- 2.5 Wirral's proposed policy, following Government guidance, is shown in Appendix A and it is recommended that it is adopted to allow the award of Transitional Relief until 2017. It is anticipated that 20 cases will receive this relief for 2015-16 with less in 2016-17.

### **Retail Rate Relief**

- 2.6. The Government brought in provisions for a Retail Rate Relief scheme in 2013 whereby businesses with a maximum Rateable Value of £50,000 could receive relief up to £1,000. This Relief was for 2014-15 and 2015-2016
- 2.7. Wirral amended its Discretionary Rate Relief scheme to incorporate the Retail Rate Relief on 13 March 2014 and has awarded the relief where appropriate.
- 2.8. The government in its autumn statement on 3 December 2014 increased the amount maximum amount of relief from £1,000 to £1,500 from 1 April 2015.
- 2.9. Wirral's policy is as shown in Appendix B and it is recommended that the policy is amended to allow the maximum amount of relief be increased to £1,500 from 1 April 2015. The increase along with the initial relief is fully funded by Government grant.

### **Living Wage Discount**

- 2.10. The Business Rates Retention scheme was introduced 1 April 2013 by the Localism Act 2011 and amended Section 47 of the Local Government Act 1988 to allow council's to introduce local discounts and award them to businesses as it sees fit. A major strand of Business Rates Retention scheme is councils and government sharing in the benefits and risks of Local Business Rates. This means that in the case of local discounts the cost is borne 49% by the Council 50% by Central Government and 1% by Merseyside Fire Authority.
- 2.11. Wirral's Budget for 2015-16 included £50,000 for funding the award of a local Discount for employers who formally signed up for and pay the Living Wage. The limitation being that it was a support for Small and Medium Enterprises (SME's) and that they pay Business Rates. This was approved at Council on 24 February 2015 (minute 112) as follows

#### ***Using Business Rates flexibilities to incentivise employers to pay the Living Wage - £50,000***

*The Council has the discretion to award discounts in national non-domestic rates to businesses under section 47 of the Local Government Finance Act 1988. To award discounts under this provision a business must meet criteria set by the Council. The cost would be charged in accordance with the business rate allocation from the Collection Fund, i.e. the Council would pay 49%, Fire 1% and Central Government 50%. If the Council contributed £50,000 then the scheme total fund would be £100,000. It is therefore proposed that £50,000 be set aside to create a total fund of £100,000 and*

*to offer small and medium sized businesses (10-250 employees) the opportunity of obtaining a discount on their business rates if they become an accredited Living Wage employer. The details of how such a scheme will operate will be reported to Cabinet.*

- 2.12. The European Commission's definition for SME's is that they must employ between 1 and 250 employees. Based upon the aforementioned percentage split of cost borne within National Non Domestic Rates there is £102,000 available to award as a discount in total. This relief will only be awarded only 2015/16.
- 2.13. The type of discount has already been proposed by two London Councils and it can take any form the Council sees fit, such as a percentage of the rates payable or an across the board lump sum or based on relative cost to the employer as shown below.
- 2.14. The proposed way forward for consideration is to pay the Living Wage accreditation fee or multiples thereof. The aim is to keep the scheme as administratively simple as possible for the council and businesses. Upon sight of the accreditation licence issued by the Living Wage Foundation the discount can be awarded to cover the fee or multiples of it. The fee is on a sliding scale and dependent on the number of employees in the business. If it has less than 10 employees then the fee is £10. It is viewed with small firms that a one off grant of a maximum of £500 would provide a suitable incentive. However for larger companies of between 10 and 250 employees they could pay a maximum of £1,000 accreditation fee and it is proposed to award a maximum of five times the accreditation fee (£5,000 maximum) against the business rates account.
- 2.15. The Living Wage Rates Relief scheme will only be operational for the period 1 April 2015 to 31 March 2016. Awards will only be issued upon production of the Living Wage licence produced between 01 April 2015 and 31 March 2016 and with the additional provision that sufficient funds remain to pay the award. This will be achieved by limiting the awards to the first 20 employers with less than 10 employees and 20 with more than 10 but less than 250. As only the largest firms would pay the maximum £1,000 fee the budget is highly likely not to be exceeded and if available any residual sum can be used on a first come basis until the budget is used.
- 2.16. We cannot award relief where rates are not directly paid and are covered by such reliefs as Small Business Rates Relief.
- 2.17. If approved by Members publicity would be undertaken both directly by the authority and via contact through organisations such as the Chamber of Commerce.

### **3.0 RELEVANT RISKS**

- 3.1 If a decision is not made adoption of these reliefs all previous recipients would be required to pay the full amount from April without any relief or increased relief. The aim of the Council's budget would not be realised for firms paying the Living Wage if this new discount is not adopted.

#### **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options were considered.

#### **5.0 CONSULTATION**

5.1 No consultation has been undertaken.

#### **6. OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1. None in relation to this relief.

#### **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 These changes will see organisations currently in receipt of relief see continue to receive this or higher level relief for 2015.

#### **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 Transitional and Retail Rates Relief, costs are all met in full by central government. The Living Wage discount will be met 50% by Central Government, 49% by Wirral and 1% by the Merseyside Fire Authority.

8.2. There are no asset, IT or staffing implications arising from this report.

#### **9.0 LEGAL IMPLICATIONS**

9.1 The Scheme, including its limits will be well publicised and within that define precisely what information would be required for a valid application, how it is made and to whom, so that priority to those who submitted a valid application earlier in time can be rationally be given.

#### **10.0 EQUALITIES IMPLICATIONS**

10.1 The Equality Impact Assessment link for National Non Domestic Rates Relief is shown;

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversitycohesion/equality-impact-assessments/eias-2010/finance>

#### **11.0 CARBON REDUCTION IMPLICATIONS**

11.1 There are none arising directly from this report.

#### **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising directly from this report.

#### **13.0 RECOMMENDATION**

13.1. That the transitional rate relief policy (appendix 1) to this report be approved as the authority policy from 2015/17 for current relief recipients.

13.2. That the retail rate relief policy (appendix 2) to this report be amended to increase the maximum amount of relief granted from £1,000 to £1,500 for 2015-16.

13.3 That the Living Wage local discount policy (appendix 3) be approved for 2015-16.

#### **14.0 REASON FOR RECOMMENDATIONS**

14.1 To allow members to agree the award of national non domestic rates transitional relief, to increase the maximum amount of retail rate relief awarded and award a local discount to employees who pay the Living Wage.

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#### **APPENDICES**

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| 1 – Transitional Relief Policy 2015/17.   | Department for Communities & Local Government January 2015 |
| 2 – Discretionary Relief Policy 2015 /16. | Wirral Council   |
| 3 _ Living Wage Local Discount 2015/16.   | Wirral Council   |

#### **REFERENCE MATERIAL**

Department for Communities & Local Government  
Reoccupation Relief Guidance March 2014  
Business Rate Information letter (4) March 2015  
Retail Rate Relied guidance (revised) March 2015  
Business Rate Information letter (3) February 2015  
Transitional Relief extension Guidance February 2015  
Living Wage implementation guidance February 2015

#### **SUBJECT HISTORY**

<u>Meeting</u>	<u>Dates</u>
Cabinet (minute 306)	3 February 2011
Cabinet (minute 202)	18 February 2013
Cabinet (minute 165)	13 March 2014
Cabinet (minute 197)	19 June 2014
Council (minute 112)	24 February 2015